

Path Dependence and Community Development in South Carolina

By Jonathan Keisler, Research Associate
Jim Self Center on the Future
October 23, 2012

Why do some South Carolina communities experience expansive growth and others very little development? This is not a simple problem that can be fully explored in a single essay. However, this essay will attempt to identify some contributing factors of why smaller communities remain somewhat stagnant and other more populated communities grow rapidly. Communities experience a historical evolution that leads to their current state. Some of this evolution is observable from a historical perspective and by conducting an inventory of community assets. Other contributing factors are seen only from within the community itself. The internal forces guiding a community's development relate to the traditions, attitudes, and available capital being utilized to move an area from a collection of individuals to a thriving community.

Individuals make decisions under unique circumstances and based upon their own past experience and tradition. This process is known as path dependency. Path dependence may include a worker that chooses to enter the same profession as their parent because it is what is most familiar or comfortable. This informal tradition may extend to many aspects of an individual's life including educational attainment, family size, and habitual behavior. Unfortunately, some decisions are a part of negative path dependence that fails to adapt to changes in the external environment including job migration and educational expectations. For

example, this problem can arise if a worker wishes to pursue a career in a dying industry (i.e., apparel manufacturing or mom and pop video stores), or wants to drop out of high school to take a job. These types of decisions are no longer a feasible alternative to receiving additional education. Yet some continue to make those choices, especially in more rural areas.

It is rational to assume that most individuals seek to maximize their self-interest and position themselves in the most advantageous position possible. But decisions are made with limited information and with bounded rationality. A person with very little education in a rural area has fewer resources (i.e., Internet access, business savvy mentors, etc.) to make fully informed and rational decisions. Individual decisions within a community aggregate and contribute to the path dependency of the entire community. Examining educational attainment, literacy, and unemployment among communities with different levels of community development can provide some insights into these path dependencies.

Only 13 of the state's 46 counties, or 28%, had literacy rates better than the state average.

There is evidence of a correlation between literacy and economic success among counties in South Carolina. In the most recent data, only 13 of the state's 46 counties, or 28-percent, had literacy rates better than the state average (N.C.E.S., 2011). Thirty-one counties, or 67-percent, had rates of illiteracy higher than the state average. Of these 31 counties, 26 had populations below 50,000 residents. Therefore, there is an unbalanced presence of illiterate South Carolinians in more rural areas that have fewer resources to break the path dependent cycle. None of the top ten most populated counties in South Carolina had illiteracy rates that

were higher than the state average. These more populated areas also have higher earning rates and more economic development success than their less literate rural neighbors.

Comparing a heavily populated county like Greenville and a rural county like Allendale provides a glimpse into significant educational and economic disparity between communities that are only 180 miles apart. Greenville County's illiteracy rate in 2003 was 12-percent, which was among the lowest in the state. Allendale County had an illiteracy rate more than two times greater at 29-percent. While significantly less populated, Allendale County currently has the states second worst unemployment rate of 16.9-percent, which is more than double that of Greenville County at 7.6-percent. It should be noted that none of the top 10 most populated counties are among the thirty highest unemployment rates in South Carolina (E.A.S.C, 2012).

The more heavily populated areas of South Carolina continue to develop and improve both job and educational opportunities, but there are some communities that are not progressing as quickly. However, there are some core community development approaches to help overcome disparity and achieve sustainable development. The three basic approaches are technical assistance, self-help, and conflict (Robinson and Green, 2011). Historically, both rural and urban areas have relied on technical assistance from outside development experts. More urban areas generally combine the expert-led approach with the conflict. This is because more decisions are made in urban areas through compromise and satisficing (a decision making strategy that seeks an acceptable rather than an optimal outcome) across a wider demographic. However, rural areas are more dependent on self-help initiatives in combination with expert-led development

None of the top 10 most populated counties are among the thirty highest unemployment rates in South Carolina.

(Robinson and Green, p. 19). This approach can be good and bad. If there are competent leaders within a community dedicated to creating economic vitality, environmental stewardship, and social equity across various demographics, then sustainable community and economic development is feasible (Rainey, et al, 2004, p. 160). However, if a community does not have residents that are willing to participate in the process, the community is less likely to succeed.

There are three forms of capital necessary to execute a sustainable community

Historically, local banks have predominately serviced rural communities and their small businesses.

development strategy. These include financial capital, human capital, and social capital. In order to obtain the necessary physical infrastructure and financing, public and private capital is vital. To increase local entrepreneurship and attract outside businesses, infrastructure like adequate roadways, telecommunications, waste

disposal, and skilled labor is necessary (Rainey, et al, p. 162). This infrastructure does not occur overnight but rather is a result of investment in the community by public and private lenders, development corporations, and government agencies. History has shown that local banks have predominately serviced rural communities and their small businesses. More recently, deregulation has led to increased consolidation of local banks into larger organizations. The larger that the banks become, the less likely they are to provide smaller loans to local businesses (Rainey, et al, p. 163). Communities that find sources of private capital on a local level may facilitate a greater opportunity for community businesses to obtain financial capital.

Investment in human capital, or the skills and abilities of a community's local workforce have resulted in increased economic growth (Shultze, 1961). Human knowledge and skill are the critical determinates of economic growth and community development (Rainey, et al,

p.164). This is why communities without even the most basic education (i.e., high illiteracy rates) face a tremendous challenge in economic development. A commitment must be made to basic community development in areas like education, so that economic growth can occur. In order to attract new industry and encourage entrepreneurship, there must be a local labor pool of competent and skilled workers available.

This does not necessarily mean that each worker should aspire to be a graduate of a four-year college. Many jobs in South Carolina are available to workers with technical certificates and associates degrees from two-year colleges. In Greenville County, over 46-

percent of the available jobs require technical certification and not a four-year degree (S.C. Department of Commerce, 2012). Perhaps the gap between the human capital in an area like Allendale County is not too different from the human capital of Greenville County. In 1993, Allendale County's illiteracy rate was 43-percent and improved to 29-percent in 2003 (N.C.E.S., 2003). If this trend continues, high school dropout rates (32.4-percent in 2000) may be

Many jobs in South Carolina are available to workers with technical certificates and associates degrees from two-year colleges. In Greenville County, over 46-percent of the available jobs require technical certification and not a four-year degree.

lowered as well, which would position more residents with the opportunity to obtain at least a technical certification and improve overall human capital.

Social capital theory explains community and economic development from a structural perspective rather than a market driven economic approach (Rainey, et al, p.165). Social capital includes path dependency factors like traditions, norms, and established networks. These structures can be the most difficult to change depending on how deeply embedded these

norms and customs are in the community. However, assuming a community is willing to adapt, there are twenty clues to survival for community and economic development listed below (Holladay, 1992).

CLUES FOR ECONOMIC SURVIVAL	
1. Evidence of community pride	11. Acceptance of women in leadership
2. Emphasis on quality in business and community life	12. Strong belief in education
3 Willingness to invest in the future	13. Problem-solving approach to providing health care
4. Participatory approach to development	14. Strong multi-generational family orientation
5. Cooperative community spirit	15. Strong presence of traditional institutions are integral to community life
6. Realistic appraisal of future opportunities	16. Attention to sound and well-maintained infrastructure
7. Awareness of competitive positioning	17. Careful use of fiscal resources
8. Knowledge of the physical environment	18. Sophisticated use of information resources
9. Active economic development programs	19. Willingness to seek help from the outside
10. Deliberate transition of power to a younger generation of leaders	20. Conviction that, in the long run, you have to do it yourself

Each of these survival clues contributes to the amount of social capital available in developing communities. In the long term, as economic growth occurs, continued development requires increased political capital among rural communities. This will ensure the community’s voice is heard and that there will be a continued presence during policymaking. Progress is being made but there are still areas in rural South Carolina where citizens do not possess even the most basic reading and communication skills to be competitive. Greater emphasis is needed

in the areas listed above to improve the available human, financial, and social capital and spur greater community and economic development.

The Jim Self Center on the Future

The Jim Self Center on the Future serves South Carolina by promoting awareness of important policy issues and trends facing the state. Additional copies of this study and all Self Center publications are available on our website at <http://selfcenter.clemson.edu>.

References

- Employers Association of South Carolina (2012). *Monthly Unemployment Rates Ranked By County*. Web.
- Holladay, J. Mac. (1992). *Economic and Community Development: A Southern Exposure*. Dayton, Ohio: Kettering Foundation.
- National Center for Education Statistics. (2003). *State and County Literacy Estimates*. Web.
- Rainey, Daniel V., Kenneth L. Robinson, Ivey Allen, and Ralph D. Christy. (2003). Essential Forms of Capital for Achieving Sustainable Community Development. In *Achieving Sustainable Communities in a Global Economy*, edited by Ralph D. Christy. Hackensack, NJ: World Scientific Publishing Company.
- Robinson, Jerry W, Jr. and Gary Paul Green. (2011). *Introduction to Community Development*. Thousand Oaks, CA: Sage Publications.
- Schultz, Theodore W. (1961). Investment in Human Capital. *The American Economic Review*, 51:1-17.
- South Carolina Department of Commerce. (2012). *SC Works Online Services – Quick Search*. Web.